



THE ATLANTA ECONOMIC REVIEW

JUNE, 1958
VOL. VIII No. 6

ISSUES IN LABOR-MANAGEMENT RELATIONS

"What do you consider to be the most urgent issues in labor-management relations today?"

A SYMPOSIUM

(When the above question was posed, it was not intended that discussions be limited to management's relations with unions. However, it happened that each contributor did discuss problems associated with unionism).

**James W. Sweeney, Associate Professor
of Industrial Management,
Tulane University:**

In answering the question as it has been posed, the thought has occurred to me that the issues in labor-management relations today are the same as they were a year ago, or ten years ago. The issues in labor-management relations remain fairly constant over long periods of time, and we could devote ourselves to compiling an exhaustive listing of issues which are more or less staples, and which have been with us for more than one generation.

The important point, however, is that the pressure on certain of these issues increases relative to the other issues, and these we select as "urgent." Because it is impossible to classify labor-management issues in mutually exclusive categories, we know that the multitudinous and sometime subtle inter-relationships create a situation in which an apparent urgent issue is the result of forces created by changing conditions.

With reservation, therefore, I submit that the most pressing issue in the labor-management relationship lies in union leadership. The union leaders created in the crucible of the union-management relationship during the 20's and 30's are rapidly becoming a thinning line of aged soldiers. The forceful leadership created during the past periods of great stress and crisis is passing with them, and I fear that unionism is not generating within itself leaders of ability to cope with the changing union-management relationship.

More serious is the increasing lack of trained leaders at the international representative level. Management has made great strides since World

War II in training its middle and lower management. Unionism in general simply has not devoted the time and funds necessary for a serious and meaningful program of leadership development. This is causing an imbalance in the union-management relationship and creating a chasm which, as it grows wider, makes the bargaining and negotiating processes more difficult and time consuming. The lack of seriousness of intent on the part of unionism in the training of its lower echelons of leadership does not go well for the development of future top echelon leaders from this group.

I am very sadly coming to the conclusion that very few leaders of management or unionism really understand the character of automation. This lack of understanding will in no way slow down the technical advances which as a totality are presenting to us the beginnings of an industrial revolution which will be compressed into decades rather than centuries. The union-management relationship is drifting in the age of automation with little knowledge of where it is going, or of the tremendous forces which are being generated.

True automation is beginning to make its way into data processing, production control, and production process direction. The purpose of automation is simple and clear-cut even though experts are debating at length for the exact definition of automation. The objective of automation is the com-

| CONTENTS | Page |
|---|------|
| Issues in Labor-Management Relations..... | 1 |
| Religion and Business..... | 6 |
| Atlanta Business Activity..... | 8, 9 |
| The Southeastern Corner..... | 14 |

plete displacement of direct labor in the factory, and of the clerical worker, whether in the office or factory. As this process develops it will have profound effects upon the remaining work force and management.

Granting that automation will not occur all at once, nor will it ever occur in more than a quarter of our industries, it still remains that the character of automation is revolutionary and will create problems of a magnitude not heretofore experienced. It is going to be a **joint problem**, and it would be well for the nation as a whole if a genuine and coordinated effort were made jointly to study this phenomenon and its impact and to prepare for it.

★ ★ ★ ★ ★

Edwin Young, Chairman, Department of Economics,

University of Wisconsin:

One of the greatest threats to orderly and better labor-management relations in the years immediately ahead rises out of the aftermath of the recent Congressional investigations.

It was very important that graft, corruption, and other illegal practices be brought to light for the public good and especially for the welfare of the unions involved and their employers. Legislation is needed to protect both labor and management from further misuse of union funds and the power that goes with union offices.

It is not surprising, however, that some persons in the Congress and in the state legislatures will fail to distinguish between laws to protect unions from corrupt officials and laws which endanger the existence of unions. There are still people in the United States who do not believe that workers and management should have the right to bargain collectively, or, if granted this right, it should be very closely circumscribed by limitations or subject matter, area, etc.

The state right-to-work laws and the barring of economic strikers from representation elections under the national labor relations law are examples of legislation which, in my opinion, hinder rather than help collective bargaining.

If, as seems likely, there is an attempt to limit collective bargaining further, the result will be to worsen the prospects for constructive labor-management relations. Some employers will support such legislation, others will try to take advantage of it, and some will find their good intentions handicapped by it.

On the unions' side, the great majority of union leaders who are honest men devoted to the welfare of their unions' membership are already smarting under the feeling that they are being lumped with the crooks in the public mind, and will also feel that all unionism is being discriminated against and will take out some of their resentment in their union employer relationships. Perhaps more serious

than this, in my opinion, is the likelihood that labor-management relations will be fought out in the political arena, rather than around the bargaining table.

In my view, one of the great strengths of the American system has been the relative freedom for management and labor to work out arrangements best suited to their respective needs. If for real or fancied short-run advantage management takes advantage of the present criticism of labor and supports legislation which restricts collective bargaining, I believe considerable damage will be done to the American collective bargaining system.

This is a time that demands moderation in industrial relations by all the parties.

Rather than engage in recrimination, the parties ought to try to improve their mutual skills in the handling of their relationships. With the greatest good will and mutual respect the task is difficult enough. Present situations should not be allowed to hurt the long-run prospects.

★ ★ ★ ★ ★

Fred Witney, Associate Professor of Economics, Indiana University:

In my judgment, the most pressing labor-management problem involves the joint responsibilities of employers and unions during the current economic depression. At any time, management and labor have the duty and obligation to pursue sound and

ATLANTA ECONOMIC REVIEW

Published monthly by the

**Bureau of Business and Economic Research
School of Business Administration**

Georgia State College of Business Administration

Noah Langdale, Jr., President

33 Gilmer Street, S. E., Atlanta 3, Ga.

School of Business Administration

George E. Mannors, Dean

Bureau of Business and Economic Research

Willys R. Knight, Director

William H. Wells, Editor and Statistician

Mary H. Bowdoin, Research Associate

Jane McMichael, Secretary

Research Council

Willys R. Knight, Chairman

James H. Lemly

Fritz A. McCameron

Stephen Paranka

James E. Hibdon

Kenneth Black, Jr.

Subscription to

ATLANTA ECONOMIC REVIEW

The ATLANTA ECONOMIC REVIEW is sent free of charge to anyone interested in receiving it. If you are not already on the mailing list and wish to receive the REVIEW regularly, please write to the Bureau of Business and Economic Research, School of Business Administration of Georgia State College of Business Administration, Atlanta 3, Georgia.

Application for second class mail pending at Atlanta, Georgia.

equitable policies in their mutual relations. These responsibilities become of much greater importance during periods of slumping economic conditions. What are some of these responsibilities?

Wage policies of unions must, of necessity, be geared to the realities of economic life. Wage demands, including fringe benefit proposals, should be oriented to productivity increases. Settlements in which wage increases outstrip gains in productivity exert a cost pressure at the time when business in general can least afford to assume additional cost burdens. The result of such a wage policy could be more unemployment, higher prices, or both. A demand for a shorter hour week (along with the same weekly earnings) likewise appears strictly inappropriate. The elimination of make-work rules and featherbedding is particularly desirable at the present time. Frequently, the insistence on featherbedding guarantees **unemployment** rather than increasing the level of employment within a plant or industry. The recent decision of the building trade unions and the contractors in the construction industry to eliminate wasteful operation in that sector of the economy is a case in point. There is particular need at the present time for unions to demonstrate the highest order of responsibility under labor agreements. Thus, even a day's loss of production and wages because of an unauthorized work stoppage will tend to worsen the current economic picture. Finally, unions have particular need to recognize that in the last analysis the welfare of the workers depends upon the economic position of the employer. One labor leader puts this proposition in these terms while addressing his membership: "You can't loaf yourself into prosperity. You must work yourself into prosperity. If you want higher wages, better vacations, more security, or health and welfare funds, you must, of necessity, recognize that your company cannot give it to you unless it can meet competition and make a profit. You've got to put products in the barrel if you expect me to get money out for you."¹ At any time, such a trade union philosophy is sound; in times of economic adversity, it expresses a point of view of particular importance to all concerned.

Management should not use the current economic situation as an excuse to deny workers wage increases which are justified by productivity increases. Such a policy will worsen the state of the economy. A wage increase oriented to productivity increases does not in any manner justify an increase in the selling price of a product since unit labor costs are not affected adversely. Companies should not use the current economic situation as a springboard to break unions or to reduce them to a state of impotency. Some aspects of labor law, such as that area of Taft-Hartley which denies replaced economic

strikers the opportunity to vote in representation elections and state enacted so-called "right to work" laws, take on far greater importance during periods of serious unemployment and declining industrial production. It would indeed be a sad commentary on the American labor relations scene if companies used this period of economic adversity to utilize the provisions of these laws to destroy collective bargaining. At present, management has a particular responsibility to improve the efficiency of its operation. By reducing accidents, absenteeism, waste, and keeping up with modern technological advances, for example, a firm will be in a better position to cope with the problems growing out of the economic recession. Some companies and unions have practiced joint union-management cooperation to accomplish these objectives. At times, such a program has made the difference between survival and the extinction of a firm and thereby the jobs of its employees.

The evidence is clear that labor-management relations have improved remarkably in the past few decades. In the light of this progress, it is believed that in general unions and employers will recognize the particular responsibilities flowing from the current economic recession. By accommodating bargaining practices to the realities of economic life and by refusal to take advantage of economic adversity, companies and unions will build a sounder foundation for their future relationship. Such a program will prove that collective bargaining can be a valuable part of the American democratic life in good and bad times.

★ ★ ★ ★ ★

*Francis J. Bridges, Acting Chairman,
Department of Management,
Georgia State College of Business
Administration:*

There are many urgent problems in the field of labor-management relations. Some of these problems develop and disappear with changes in labor legislation and economic conditions. However, an issue of a general nature exists which probably will be with us for an indefinite stay, that of **the extent to which unions and companies ignore competitive conditions and general economic realities when bargaining, one with the other.**

It would be unfair to state that this lack of recognition of competitive conditions and general economic realities applies to all representatives of management and unions during bargaining sessions, but it has permeated many bargaining sessions to the extent that many companies have voluntarily gone out of business or have been forced out of business due to the granting of excessive economic demands by the union. It is also true that union members have suffered unnecessarily due to so-called "gains" given to them by management during periods of negotiation. An improvement in economic benefits

¹ "Causes of Industrial Peace Under Collective Bargaining," National Planning Association, Case Studies 14, December, 1953, p. 79.

by management to workers could very well benefit management more than the workers by reducing labor turnover, increasing morale, and minimizing areas of union-management conflict.

While it is easy to state that union and management representatives should not ignore competitive conditions and economic realities when bargaining with each other, it is a very difficult problem to overcome. In many cases, both parties have based their line of reasoning and demands during negotiation on a set of facts which are similar; yet, because objectives are different and concepts of adequacy vary, totally different conclusions are reached. To one party, the stand of the other is quite out of line, seemingly based on ignorance of facts, lack of understanding of competitive conditions, and a failure to view the issue in a realistic manner. The other bargaining party may have the same feeling.

An example of this situation exists today in the steel industry. Marginal producers using scrap steel as a basic raw material in the production of finished steel are caught in a squeeze between the rising cost of scrap and the competitive price of the finished product. When organized labor pushes the concept of "same job—same wage" throughout the industry, the marginal producer is faced with rising labor costs, rising material costs, and a competitive price on finished goods which is determined by price leaders in the industry who are in a more favorable economic position. For a local union to demand higher wages in such a situation is unrealistic in an economic sense if the management of the company is administering the operations and activities of the firm in an efficient manner. To force an increase in wages results in either a higher price of the product—which makes it non-competitive; a reduction in profit—which does not allow for stability, long-range expansion, and a normal return to stockholders; a significant increase in sales—which is not likely in the near future, since the firm is already a marginal producer; or an increase in operating efficiency—which is always possible but is costly and involves considerable time. The end result may likely be a reduction in labor and production or the closing down of the plant—neither of which benefits the union, management, or the general public.

To be more realistic about bargaining issues, the union and management should consider the economic effect of their action on other groups. Probably the least considered party during negotiations is the general public (consumers). While management is pressured by the owners and employees, and the union by its fight for internal and external security, the general public—the consumer—is a silent member during negotiation sessions. Unfortunately, representatives of this group, which has most to gain or lose by collective bargaining settlements, do not participate in union-management bargaining sessions.

During periods of negotiation it is impossible for both parties to have every fact pertaining to the issue under discussion. However, a more factual presentation of arguments based on a sound analysis of the current economic conditions, a real look at the company's competitive situation, an accurate forecast of future business, a look at the company's past business activity, plus detailed consideration of outside groups affected by bargaining results would represent an improvement in presenting arguments for or against bargaining issues. These practices apply in some cases but should apply in many more if employees (union), owners, and the general public are to receive maximum satisfaction from company operations.

★ ★ ★ ★ ★

*James F. Crawford, Associate Professor
of Economics,*

*Georgia State College of Business
Administration:*

Among the many timely industrial relations issues the following seem particularly urgent to this writer: What effects are today's changing economic conditions likely to have on the relative positions of employers and unions (employees), and what will be the impact on the pattern of labor-management relations?

The current slump in business activity has produced a moderately high degree of unemployment and has generally worsened the relative positions of unions. The slack product demand, particularly in the durable goods sector, has greatly strengthened the bargaining leverage of those employers whose agreements expire during the current recession (e.g., autos, mid-1958). Employers having long-term agreements which may bridge the recession (e.g., steel, 1956-1959) and which provide for automatic annual wage increases are unable to employ their potentially improved bargaining position. Most observers expect business activity to return to normal or near normal levels within a relatively short period, in which event no general, long-run shift in relative bargaining power is anticipated.

Another current economic development, which likewise tends to favor employers relative to labor, is the increasing number of entrants to the job market each year. The lower number of entrants of the past few years largely reflected the low birth rates of the 1930's. If the larger number of new job seekers during the next few years are absorbed more slowly than in the past, an increase in the average rate of unemployment will result. More unemployed, in turn, may have a moderating effect on wage increases. The economic effects of this development are difficult to predict, but if wage increases tend to be slightly moderated—and no undesirable "side effects" on demand appear—the task of stabilizing the economy during inflationary periods may be simplified.

In industries characterized by rapid technological displacement of workers, increases in the ratio of white collar to production workers has tended to reduce union membership. This development has stimulated union efforts to organize white collar employees, but comparatively few new members have been recruited from this group. A continued decline in union membership in plants of the type described above may be expected except where offset by employment increases. In some industries, e.g., communications, in which technology permits plant operation by supervisory employees during a strike, a substantial drop in union bargaining power is already apparent.

The McClellan Committee revelations have diminished union bargaining power, prestige with the public, and organizational momentum. The longer-run effects of the McClellan disclosures depend largely on the extent to which the public is convinced that effective corrective measures have been adopted.

Although the short-run effect of the developments outlined above will be to strengthen employers relative to unions, it seems certain that large scale unionism will survive and collective bargaining will continue in most of the basic industries. This raises the question of how well unions and management will be able to adjust to the changing conditions of the next few years. Union leaders may find themselves compelled to perform the politically distasteful task of persuading workers that smaller wage settlements must be accepted. Many employers may have the opportunity to modify onerous terms which they granted reluctantly when their bargaining power was smaller. However, both labor and management should proceed cautiously in using temporary advantages in bargaining power to force the adoption of extreme measures. In the long run such triumphs may produce consequences similar to those resulting from winning a lawsuit against one's wife. In subsequent years of living together the victory might not be worth the price.

The major task confronting labor and management is to maintain and improve the relatively good relations which have developed in the majority of organized and unorganized concerns in recent years. If satisfactory relations are not maintained, greater public intervention is inevitable, and it is doubtful if additional, detailed regulation of labor-management relations would operate to the long-run satisfaction or advantage of either party.

★ ★ ★ ★ ★

*William M. Hepburn, Dean,
Lamar School of Law,
Emory University:*

Urgent issues in labor-management relations today can be counted by the dozen. Most are important to employees or employers, to unions or to management, for they involve wages, security, working

and operating conditions, or profits.

How can a company pay good wages and still make a fair profit? There is no final answer, but constantly increasing efficiency on the part of both labor and management is essential. Here then is a problem, can efficiency be constantly increased without irreparable injury to human relationships? If this happens, nothing has been gained.

During the past twenty years I have had occasion, as an arbitrator of labor-management disputes, as a teacher of Labor Law, and from other vantage points to reflect on the difficult issues that develop in this area.

Since the late 1930's there has been a great change for the better in the attitudes of labor and management toward each other. This improvement is probably more important than new laws and as important as technological change. There is still a long way to go, however, in developing the sort of candor and true understanding that is needed, and one must admit the existence of counter currents in the general stream.

There are indeed human problems in industry. The most urgent need in labor-management relations is to accept the full implications of this fact. Both sides must be willing to understand the problems of the other. Labor needs to realize (and usually does) that business must remain solvent, and better than solvent. Labor must realize (and usually does) that management operates through people, with their own share of ambitions, limitations, and faults. Each wants good pay and good working conditions. The business must succeed.

On the other hand, management should realize that the working man, just as the president of the company, wants the best pay and working conditions he can get. He wants to educate his children and to have a good car. These are reasonable ambitions in America and should not be denied if solvent business can support them. This is all trite and simple, but failure to act on obvious truths can invite disaster, no matter how good our laws or how modern the machinery and equipment. Constantly rising efficiency is needed on the part of both labor and management. This efficiency includes good "human engineering" — the best mutual understanding and good relationships between management and employees and unions. Here the essential thing is to think in terms of individuals, not organizations. The working man should not be a mere cog either in the organization of the company or in the policies of the union. Reasonable protection should be afforded minority groups.

Finally, much needs to be done to improve the processes of the grievance procedure and of arbitration. Every arbitration case must be treated as an important one. Each involves one or more individuals. All the more reason that neither company

(Continued on page 16)

Should religion be related to business?

Can religious practices solve the problems facing the businessman?

What position does the church take?

To what extent can "responsibility to others" be practiced in the business world?

Can man handle the responsibilities of his new positions of "freedom"?

What responsibility does the business have to itself?

These are some of the many questions and basic issues raised by Mr. Wright in his talk on the relation of religion to business.

RELIGION AND BUSINESS

by

Moorhead Wright*

(A speech delivered to the Advanced Management Course, General Electric Company, Crotonville, New York, on April 13, 1957.)

Many Points of View Held Today

Probably one of the great unanswered questions in the social scene today is this: What is the right relationship between a man's religion and his business? Is there any? If so, what is it? I think there's less real understanding on this point than almost any point I see as I look at the contemporary scene. I will say too, at the beginning, that I share this lack of understanding and hope that together we can think about it and discuss it and get closer to the truth.

Should Religion be Related to Business?

There's very wide disagreement on the relationship between business and religion. There are some people and some businesses that feel very sincerely that if we applied the Golden Rule — or if we applied the principles of religion to business — many of our problems would disappear, labor unrest would dwindle, and the whole nation would profit. More and more businesses are trying this approach, nibbling at the edges of it in ways which I will discuss briefly later.

On the other side of this controversy—and I think it is a controversy—men of equally good will say: "Keep religion out of business," and they have very cogent reasons for their stand. They say, first, that a man's religion is a personal thing and that the business has no right whatsoever to try to infringe on it or to enter into his religious relationships—that we must at all costs avoid anything that implies the superimposition of the managers' religion or the chosen religion of the company on any man; that, after all, the impact of a man's job is already high enough on him, the tendency toward industrial socialism and paternalism and conformity is strong. We must recognize

that in business organizations we have both agnostics and atheists, and we must protect their right to be agnostics and atheists and not attempt to superimpose on them any religion we might select.

The second reason why they say "keep religion out of business" is that it causes controversy and cliques; that if you enter into these very sensitive religious areas, some things that you say may be interpreted as being anti-Catholic, anti-Semitic, anti-Protestant; that people will become incensed because of the high emotional content of a man's religious relationship; and that you will cause yourself and the people more trouble than you do good.

And then the third reason why some people say "keep religion out of business" is that it is an attempt to use God for achieving material success. It is an attempt to mix God and Mammon; if carried to the extreme, it is praying to God to help you get costs down, praying to God to help you get an order. This is done, I think probably wrongly, for I suspect that the right interpretation is to pray to God to give you the strength to do the right thing in any given situation. Abraham Lincoln said, "Everybody's trying to get God on their side; what I'm concerned about is, am I on God's side?" If you saw the survey on religion and business made by *Fortune* a year or so ago, you saw the ministers rise up and say, "This is sacrilege, this is using God as an errand boy, this is wrong."

So there you have a brief and oversimplified sketch of the controversy as to the relationship between religion and business—one that we might think about together.

One of the first things we might do in considering that problem is to look at the definition of terms. Then we might take a quick look at the

*Mr. Wright is Consultant, Advanced Management Course, General Electric Company. He is a specialist in the field of The Philosophy and Principles of Management.

environment in which we're operating and see if there is in that environment some urgency that we try to resolve this question for ourselves individually, and finally point up at the end some of the things that have come out of the research that is being carried on in this field.

Definition of Religion

First, the definition of religion. I've had the word researched and there are some fifteen definitions. Most of us think of it in terms of Christianity or Judaism or whatever our religion may be. Most of us think of it in terms of the church and the formal part of religion; but actually religion as such has many definitions, of which I have selected a few.

The first is, "an apprehension, awareness or conviction of the existence of a supreme being; or more widely, of supernatural powers or influences controlling one's own, humanity's or nature's destiny; also such an apprehension, etc., accompanied by or arousing reverence, love, gratitude, the will to obey and serve and the like."

Another definition is, "the profession or practice of religious belief; religious observances collectively."

Parenthetically, Sinclair Lewis cynically said, "The kernel of his practical religion was that it was respectable and beneficial to one's business to be seen going to services."

The shorter Oxford dictionary shows coming into the English language in 1535 this definition of religion: "Recognition on the part of man of some higher unseen power as having control of his destiny and as being entitled to obedience, reverence and worship, the general mental and moral attitude resulting from this belief with reference to its effect upon the individual or the community; personal or general acceptance of this feeling as a standard or spiritual and practical life. Devotion to some principle, strict fidelity or faithfulness, conscientiousness, pious affection or attachment."

Gerald Heard and Aldous Huxley, two of the great thinkers of our time, in my opinion, choose to look at religion in the original sense of "religio," which derives from the Latin word "legare"—to bind—and consider religion as something that binds people together. This is one aspect.

Recognition of a Higher Power

It seems to me out of all these come two phases, first the **recognition** by the individual of the existence of a **higher power**, a power higher than himself. As Ibsen said in "A Doll's House," "Without a fixed point outside myself, I cannot exist." The recognition of a higher power seems inherent in religion.

Responsibility to Others

Secondly, there is a **responsibility to others**. If you put both together—recognition of the higher power and responsibility to others—this may be an over-

simplified definition of religion as we're thinking of it here. It is the inner knowledge, it is the personal individual responsibility of the individual for himself, the recognition of the fact that there is a power—supernatural power—greater than himself, coupled with recognition of his responsibility to his fellow man. This is the burden of the two great Commandments, "Thou shalt love the Lord thy God . . . and thy neighbor as thyself."

The whole problem is clouded by poor definition, by sentimentality, by hypocrisy. If we can get at some basic definitions and take a hard look at them, maybe this will be useful. And there are urgent reasons why an answer to the problem needs to be sought and found. An analytical look at the social environment in which we are operating indicates a very direct need for answers.

The Social Scene Reflects Maladjustments

An Age of Anxiety

"Let us look at the **environment** of managers of businesses from the point of view of its applicability to this question of religion and standards. This might be considered as a look at the emotional environment. This age in which you and I happen to be living and in which we happen to be occupying positions of influence has been called by those who study it the "Age of Anxiety," as contrasted to the "Age of Confidence" which existed in the last half of the 19th Century.

This particular social scene in which we exist is characterized by tensions, by anxieties, and by large groups who are in new and unfamiliar positions. It also has been called by Dr. Livingstone, the Chancellor of Cambridge University, the Age Without Standards—the age without a philosophy, the age in which man is much more concerned with the means than with the ends, more concerned with the tools than with the ultimate goal, more concerned with materialism than with spiritual factors.

If you need any indicators that this is an age of anxiety and tensions, you can get some indicators from the scene around us. We see over half of the hospital beds occupied by mental patients; we see one out of five marriages ending in divorce; we see that the production of sleeping pills in this country now stands at 600,000 pounds per year, 30 sleeping pills for every man, woman, and child in the United States each year. We see the meteoric rise of the non-addictive tranquilizers, the alkaloid derivatives of Rauwolfia and their synthetic equivalents—the rise of that from nothing two-and-a-half years ago to a \$35,000,000 business today by the drug trade. We see a situation in which I needed psychiatric help for a friend of mine and could find in Westchester County no psychologist or psychiatrist who had a vacant hour on his couch for this man. We see the Menninger Clinic establishing a section on business practices.

(Continued on page 10)



APRIL 1958 ATLANTA AREA ECONOMIC INDICATORS

| ITEM | April 1958 | March 1958 | % Change | April 1957 | % Change | % Change Four Months '58 over Four Months '57 |
|-----------------------------------|---------------|---------------|-------------|---------------|-------------|--|
| EMPLOYMENT | | | | | | |
| Job Insurance (Unemployment) | | | | | | |
| Payments ----- | \$887,279 | \$758,452 | + 17.0 | \$368,159 | +141.0 | +100.4 |
| Job Insurance Claimants† ----- | 15,356 | 12,749 | + 20.0 | 5,698 | +169.5 | +116.1* |
| Total Non-Ag. Employment ----- | 335,950 | 338,250r | - 0.7 | 347,150r | - 3.2 | - 1.5* |
| Manufacturing Employment ----- | 76,850 | 79,400r | - 3.2 | 87,000r | - 11.7 | - 10.2* |
| Average Weekly Earnings, | | | | | | |
| Factory Workers ----- | \$73.73 | \$73.53r | + 0.3 | \$72.13 | + 2.2 | + 1.3* |
| Average Weekly Hours, | | | | | | |
| Factory Workers ----- | 38.6 | 38.7r | - 0.3 | 39.2 | - 1.5 | - 1.6* |
| Number Help Wanted Ads ----- | 6,339 | 6,446 | - 1.7 | 9,446 | - 32.9 | - 31.1 |
| CONSTRUCTION | | | | | | |
| Number of Building Permits§ ----- | 842 | 746 | + 12.9 | 752 | + 12.0 | - 0.1 |
| Value Building Permits§ ----- | \$14,740,783 | \$4,784,213 | +208.1 | \$9,655,330 | + 52.7 | + 47.9 |
| Employees ----- | 18,650 | 18,300 | + 1.9 | 18,600 | + 0.3 | + 3.7* |
| FINANCIAL▲ | | | | | | |
| Bank Debits (Millions) ----- | \$1,632.4 | \$1,586.9 | + 2.9 | \$1,627.6 | + 0.3 | + 3.3 |
| Bank Deposits (Millions) | | | | | | |
| (Last Wednesday) ----- | \$1,158.1 | \$1,141.3 | + 1.5 | \$1,106.9 | + 4.6 | + 4.6** |
| POSTAL§ | | | | | | |
| Postal Receipts ----- | \$1,403,735 | \$1,487,667 | - 5.6 | \$1,416,206 | - 0.9 | + 10.6 |
| Poundage 2nd Class Mail ----- | 1,393,214 | 1,311,424 | + 6.2 | 1,507,311 | - 7.6 | + 9.8 |
| OTHER | | | | | | |
| Department Store Sales Index | | | | | | |
| (Adjusted 1947-49=100) ----- | 155 | 157 | - 1.3 | 144 | + 9.9 | + 1.0¶ |
| Retail Food Price Index | | | | | | |
| (1947-49=100) ----- | 119.4 | 119.3 | + 0.1 | 112.1 | + 6.5 | + 6.5** |
| Number Telephones in Service --- | 312,273 | 310,058 | + 0.7 | 296,984 | + 5.1 | + 5.1** |

r—Revised

*Average month

**End of period

†—Based on retail dollar amounts

§City of Atlanta only.

N. A.—Not available.

▲ Data from members of the Federal Reserve System only.

†New series. Covers unemployed federal employees and unemployed veterans in addition to those covered by Georgia law. Claimants include both the unemployed and those with job attachments, but working short hours.

Sources: All data on employment, unemployment, hours, and earnings: Employment Security Agency, Georgia Department of Labor; Number Help Wanted Ads: Atlanta Newspapers, Inc.; Building permits data: Office of the Building Inspector, Atlanta, Georgia; Financial data: Board of Governors, Federal Reserve System; Postal data: Atlanta Post Office; Retail Food Price Index: U. S. Department of Labor; Department Store Sales Index: Federal Reserve Bank of Atlanta and Board of Governors, Federal Reserve System; Telephones in Service: Southern Bell Telephone and Telegraph Company.



ATLANTA BUSINESS ACTIVITY

Consumer buying in many fields plus much activity in the construction industry continued to buoy the Atlanta economy in April. Downward pressures, centering primarily around the transportation equipment industry, continued to exert a depressing effect. The net result: mild recession. And while no one at all is pleased with this sort of movement in the economy, it is pleasing to note that the city, and for that matter the state and the region, is not so seriously affected by the current recession as are some other parts of the country.

Unemployment in the Atlanta area, as measured by the dollar volume of *job insurance payments* and by the *number of claimants* for job insurance payments of all kinds handled by the Employment Security Agency of the Georgia Department of Labor, continued to rise during April, but in May the number of claimants declined 17.4 per cent, from 15,356 to 12,684. This is the first decline in this series since the sharp rise began in December last year. The chart on this page shows the upward

movement beginning in 1956 and moving erratically up and down through 1957, then rising rapidly upward to the current peak in April 1958. The drop in the number of claimants in May reflects an improvement in the local employment situation, even though to some extent it is influenced by seasonal factors and by the dropping of a number of insured unemployed who have exhausted their benefits.

A similar improvement is to be noted in the following figures, furnished by the same agency, for the State of Georgia. These figures are for the week ending on the given date, are for the entire state, and include all insured employment under all state, Federal, and veterans programs administered by the State Labor Department:

INSURED UNEMPLOYMENT IN THE STATE OF GEORGIA

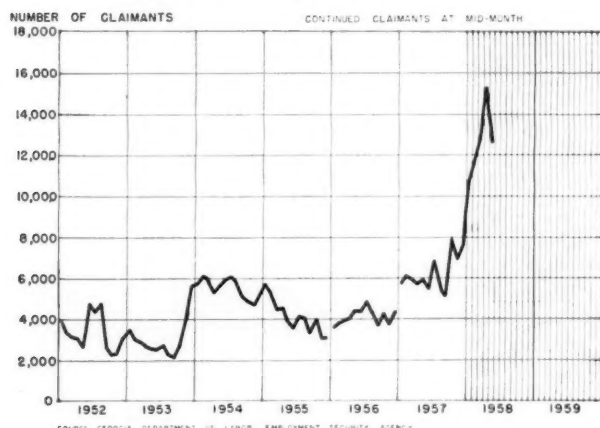
| Week Ending | Number Unemployed Total | Per Cent of Total Insured Employment | Partially Unemployed (included in total) |
|-------------|-------------------------------|--|--|
| April 5 | 51,029 | 6.3 | 5,455 |
| April 12 | 54,172 | 6.7 | 9,223 |
| April 19 | 55,906 | 6.9 | 7,289 |
| April 26 | 55,111 | 6.8 | 7,797 |
| May 3 | 56,597 | 7.0 | 11,503 |
| May 10 | 55,895 | 6.9 | 8,530 |
| May 17 | 52,749 | 6.5 | 7,062 |
| May 24 | 51,804 | 6.3 | 7,764 |

Source: Employment Security Agency, Georgia Department of Labor.

The construction industry continued to push ahead of last year in terms of *value of permits* issued in the City of Atlanta. April *construction employment* is about equal the April 1957 figure, in spite of a slight decline in general building.

Bank debits continued their general upward movement in April, the total for the first four months of this year reaching 3.3 per cent above the same period last year. *Department store sales* in Atlanta in April were 9.9 per cent above the same month last year, and the total for the four months through April was up one per cent.

CONTINUED CLAIMANTS FOR JOB INSURANCE PAYMENTS



Note: Breaks in plotted line show change in series.

RELIGION AND BUSINESS

(Continued from page 7)

All these things indicate that this is an age of anxiety and tension and uncertainty, and probably is an age without standards or philosophy, an age which is concentrated on materialism and ignores the spiritual values. I think there are many reasons for this, some of which none of us is responsible for. The passage of history, the things which have occurred within the last fifty years here in the 20th century, are of enormous significance, and, while I think we have had little control of them, there is every indication that we should get at it and see what we can do to help change certain trends.

The Scientific Revolution Brought Fear

One of the causes of the current tensions is the Scientific Revolution, in which we have played a part. Because of it, for the first time man holds within his hand the power to destroy himself. I think that puts in the minds of every person in this country an undercurrent of unconscious fear that is a very strong factor in the creation of this tense situation.

The Social Revolution: New Positions of Freedom Bring Burdens of Decisions

Possibly more important than the Scientific Revolution, though, has been the Social Revolution of the last fifty or seventy-five years—probably the most drastic and rapid social revolution in the recorded history of man. The main factor in this social revolution is, of course, the upsurge of the lower classes, which had its beginning in the late 1800's when the first generation immigrants learned to read the newspapers. The biblical prophesy came true: "Ye shall know the truth and the truth shall make you free." When they read what was happening in other parts of the country and what was being done by other classes in this country, they were stirred by that divine discontent of man and refused longer to be serfs and slaves, hewers of wood and drawers of water, and began their upsurge.

This upsurge was seen by Gustav Lebon in the book *The Crowd*. He predicted, in 1892, this disappearance of the lower classes and this appearance of the new middle class, with all of the uncertainties involved in the occupying of a new position.

There are many groups of people who occupy uneasy new positions of freedom in which they have no experience and therefore have no real background on which to establish their personal responsibilities. Strangely, the **freedom** that is taking place in this half of the century is one cause of trouble. The ex-colonies that have been liberated from the colonial empires are in new positions of freedom and don't know how to handle it. The labor people are in new positions of power and they don't know how to handle it. The Negroes are in a new position of freedom and they don't know how to handle it. This is not to say these groups are all mishandling it. These

situations are cited as causes for anxiety and tension. These groups are no longer what they were and have found no new solid position in the social scene.

The government of the United States in the last twenty years has been forced into leadership of the world. It has no experience in world leadership, and it doesn't know how to handle it.

Another source of tension in the social scene is recently emancipated woman. In my mother's time the woman was subordinate to the man. It's only within the last twenty years that the word "obey" has been taken out of the marriage ceremony. Women were there to do the bidding of man. They had no vote, they could not go into business, they were frowned on if they tried to get an education, they had strict limitations in this culture—they were considered subordinate. Of course, all this has changed, but I don't think that our ladies know how to handle this new position. My bride of 27 summers graduated with honors in the history of art at Smith and then immediately set about washing diapers and cooking food. She has some question in her mind whether that was what she was educated for.

Significantly, *Life* published a whole issue on the American woman at the first part of the year, and you may have read Mary Ellen Chase's very perceptive article in which she, with characteristic candor, takes her sex to task as to their ability to handle their newly found position of freedom of power.

A review of history shows that this situation of people in new and unfamiliar positions in which they have no experience, particularly in positions of freedom, has always been a source of trouble. One of the men who drew the French constitution following the Revolution said, "These people want the benefits of freedom but are unwilling to take the responsibilities of freedom." Go back further in history and you find Moses leading the children of Israel out of Egypt. He had a very difficult time getting them out of there. It took ten plagues on Pharaoh to set them free, but once he had them free his real troubles started. As he started leading them out across the desert, four times they turned on him and wanted to go back into slavery. Four times they said, "Well, slavery was bad enough, but at least we had no uncertainty. We knew we were going to be fed, we knew where we were going to sleep. This thing you're leading us out on is one where you hold out a Promised Land which we can't see. Also, when we get out here on the desert we'll be faced with our own responsibility for ourselves, our own need to make our own decisions, and therefore we want to go back to slavery, which is safe and secure."

Incidentally, I think there is a minor analogy to that in decentralization in a business organization where for centuries the leader has told the follower what to do and he has done it. Now, under this

philosophy of decentralization of authority, the intent is that a man who formerly **did what he was told now does what he thinks is right**. This is a high responsibility for a man to take; the burden of decision is on the "decentralized" man.

How Does the Church Feel Toward the Businessman?

A great change also has taken place in the church in the last hundred years, and it occupies an uneasy position. Reprinted in "Ethics in a Business Society," by Marquis Childs, which is a very interesting source book on this subject, is a direct quotation from an official church publication in 1877. Here is what the church said then in the great railroad strike of that year:

Bring on then the troops, the armed police in overwhelming numbers, bring out the Gatling guns; let there be no fooling with blank cartridges, but let the mob know everywhere that for it to stand one moment after it has been ordered by popular authority to disperse, will be to be shot down in its tracks. A little of the vigor of the first Napoleon is the thing we now need.

This is the church speaking officially in the railroad strike of 1877. Think of the change that has taken place there. But it's an uncertain change. You who were in Schenectady during the strike in 1945 saw the very difficult position the ministers in that town were placed in. Those ministers were pressed and set upon by the union people and by their parishioners to support the unions. Religion has always said, "You should support the little man." They wanted to do that; and yet they knew in their hearts that the company executives who were sitting in their congregations weren't tyrants and did not tread down labor under their feet. To watch the public utterances of those ministers during that strike was very interesting.

There are indications that the church still doesn't have its position worked out, as witness this clip from the *New York Times*, February 14, 1957, quoting Reinhold Niebuhr, who has been characterized as one of the original thinkers and one of the major thought leaders of our time. In this article he says that you, as General Electric managers, are either stupid or dishonest. This is Niebuhr, the theologian, saying that you are either stupid or dishonest. He says it in connection with the Right-to-Work Laws. He states categorically that the proponents, and I think we consider ourselves proponents of Right-to-Work Laws, are either stupid or dishonest. He takes this stand on the basis that the Right-to-Work Laws are an attempt to weaken the power of labor. He states, erroneously I think, that "while the democratic arrangements in some unions have much to be desired, unions on the whole are **freer of irresponsible power than is management**. In any case the quasi-political character of economic power is an established fact in a technical society. This fact must be recognized by all sides as an inevitability."

There was an editorial in the *Wall Street Journal* answering Niebuhr—a very cogent editorial which

made a good rebuttal. So the church finds itself in a very strange position with respect to businessmen. This is particularly true of business managers because many of the ministers that I've talked to, many of the ministers that take part in our seminars, do have the feeling that to be a success in business you have to be essentially a little crooked, a little selfish, and there are indications that they very much misunderstand the role of the business manager in this society.

But the business manager himself, as you well realize, now occupies a new position of very high responsibility, very high obligation. There is small question but that one of the most influential institutions in the social scene today is the business enterprise. It can have great effect on which way the world goes, it may have higher impact on the individual than either government or the church. It is probably true that you, as business managers in an enterprise of this kind, are a major influence in world affairs, and the quality of your decisions and the basis for those decisions will have a very high impact on the course of the future.

The Businessman and His Values

Can Business and Religion be Reconciled?

This brings us to the businessman and his values, and we ask the question, "How can we reconcile our business and our religion?" Is it possible to apply literally and specifically, for instance, the teachings of the New Testament to our business practices? This is the purpose of one part of the research that is being carried on. Part of it centers around Wainwright House in Rye, New York, the research center of the Laymen's Movement. There we have held and continue to hold a series of seminars for businessmen, theologians, and educators to try to find at least partial answers to some of these questions. We had one particularly interesting one last spring in which Professor Edward Learned and Dean J. Leslie Rollins, of the Harvard Business School, participated as leaders. We invited twenty very successful ten-year graduates of the Harvard Business School to take part in that seminar. We spent a whole weekend there trying to hammer this thing out, including a case led by Professor Learned on this subject. The results of the seminars have been issued out as a research report. I don't think we got any very good answers; I don't know when we will get good answers, **but I think we must keep trying**.

During the past two years, there have been at Wainwright House some twelve seminars for businessmen at all levels, including one for presidents and vice presidents of corporations. The procedure of these meetings has been to pose a question, or questions, at the opening and discuss it for eight to ten hours, then in the last two hours try to focus the discussion towards generalizations or principles or answers and to tape that portion of the conference, have it transcribed and edited, and issue

the findings as an information report.

One of the most significant research seminars was on the "Decline of Materialism" held last fall, which was led by Dean Emeritus Synott of the Graduate School of Yale, together with Dr. Henry Morganau, the great scientist of Yale; Swann, the astrophysicist from Philadelphia, and others of that calibre; along with theologians, Underwood from Wesleyan, and others (doctors, ministers, and businessmen). This seminar was an attempt to come up with some kind of hard-core scientific-proof answer of the essentially spiritual nature of man. The transcript of this conference is an interesting and significant document.

Wesleyan has an Institute of Ethics and Politics sponsored by one of the foundations. Its purpose is to do research in the relationships between religion, government, and business.

One of the most significant events that has taken place in research in this area is the plan of Francis Bowditch, who is assistant to the president of M.I.T. He plans to start a permanent institute, taking off from Sorokin's original work in 1947, in an attempt to do deep scientific study of the nature and working of altruistic love. He is at the point now where he would like to set up an institute, figuratively across the street from M.I.T.; and, while M.I.T. studies the science of material things, he would study the science of human values, altruism, and morals. This may be the most important force in the world ahead, and it is one about which we know very little. He has been working with a philosopher named Hartmann, who says that our knowledge of the positive forces, the religious forces, the forces of love, is of a very inefficient nature, beclouded by sentimentalism. We have no knowledge of this force and this force possibly is the thing that will save the world.

To point up the concern of the Harvard Business School, let me give two very interesting statements by Stanley Teele, the new dean of the Harvard Business School. Dean Teele says:

The great contribution of much of the flowering research in the social sciences, in the studies of man and his behavior, was a restatement in modern terms of the Great Truths of Jesus. Such restatements in modern terms are badly needed and each helps us all to get our bearings. But restatements of ancient truths in new words are not the whole story. Christ said, 'If you follow my word, then you are my disciples indeed, and you shall know the Truth and the Truth shall make you free.' The deeper meaning of His message is that with a profound acceptance of His basic word, a deep belief in God the Father Almighty, mankind can find the Truth. And this is the center and heart of my remarks this morning. The prime essential for personal productivity, for Christian productivity, is the belief in God and Father Almighty. With the acceptance of this word, we can go forward painfully but serenely in the struggle to know the truth.

And later in this same address:

The question, then, is 'Does a school of business administration, devoted to the task of preparing men and women to be the managers of our economy, have the responsibility of helping its students in their search for ultimate values?' My answer to this query is a firm

'yes.' I believe that we do have that responsibility. I believe that we should encourage men to engage in that necessary, disturbing, even painful task. More than that, I believe we should provide an opportunity for men to consider alternative values in an orderly planned fashion, to reason and feel about them, and to test them, with the hope and assumption that they will reach some tentative conclusions.

This is an indication of the kind of concern being felt in the business schools. It is a hopeful sign.

Questions in this research seem to divide themselves into two categories. First, what should a business **organization** do officially, formally, about religion in business? Second, what can and should the **individual** do about his religion in business? One—the organization; two—the individual. These are the questions that come high in all of these research seminars.

Religion in Business—The Part of the Organization

As to the first question, a good many companies have made some real experiments. There are many small companies which open the day's work with morning prayer. There are at least a dozen who have hired ministers as "industrial chaplains," and put them on their payroll to inject religion into the business process. There is in our own company the practice in Lynn and other plants of putting on Lenten services in the plant.

There is a growing practice of resorting to prayer in labor negotiations. Both sides are asked to sit down and pray together before they embark on labor negotiations. One very dramatic case in New York was the case of a large department store for which the labor representative was about as hard and tough as people get. The Vice President of the store suggested that they spend ten minutes quiet time before they embarked on the negotiations and the result was an extraordinary change of attitudes which led to a very quick resolution of the difficulty. Other similar cases have occurred in the aviation industry.

There is also Eisenhower's prayer before Cabinet meetings, the moment of silence before the United Nations, the work of Admiral Ben Morrell, of Jones and Laughlin, in Pittsburgh, working with Dr. Samuel Shoemaker, the great minister—the work that they are trying to do to see how they can relate religion and business. I don't know about those. I wouldn't pass judgment on them. They seem to be steps in the right direction. We need research in actual operating situations to determine the right ways of doing this. One thing seems clear: certainly, if done at all, it must be done on a voluntary basis with the company providing the opportunity and participation being entirely voluntary on the part of the individual.

Religion in Business—The Part of the Individual

As for the second question, the individual's part in relating his religion to business, it should be recognized that religion is an individual and personal matter and is only present as the individual

ciples of religion in business practice is hard work, it is difficult, it will make great demands on the character and integrity of the individual. It places on any individual the requirement for high moral courage because there is abroad in the world today a great pressure for conformity, and standing by one's principles often requires that we stand alone against the crowd and against popular sentiment. Anyone who decides that he will operate on principles that he feels are right will find many occasions where he is unpopular and subject to criticism by those around him. This leads to the thought that one of the greatest requirements of anyone in the position of leadership today is this high moral courage.

It has been said that we in business are getting soft. For whatever my opinion is worth, I think we are too. I think we are suffering badly from seventeen years of prosperity. We do not develop

The complexity of today's managing job makes it almost essential that every man have such a philosophy and set of principles, or he is in danger of frustration and possibly breakdown. The 12th Chapter of Romans has wrapped up in it the wisdom of the ages, and as Chester Lang, our former Vice President for Public Relations, used to say, this chapter seems particularly apposite as a code of ethics for businessmen. My study of religions other than Christianity indicates to me that there are parallel principles in all nine of the world's great religions. For example, I have seen the principle of the Golden Rule derived from eight of these religions and I am sure it can be found in the ninth.

One danger is that we think about religion in the "wishy-washy" sentimental sense—this, as you all know, is not true. The application of the principles for himself what his actions are going to be and to what extent his actions and his work are going to be controlled by himself, based on standards, on an underlying philosophy, and on a recognition of goals.

It seems to me that the relationship of work to religion is pointed up quite sharply by the fact that the Bible itself is a working document. If you will examine it analytically, you will see that many of its admonitions are in terms of labor and of work. Of course, it is generally in agrarian terms since that was the economy of that time, but still they are work-related. I did a small research project on the Bible and I find that the words "work" and "labor" and related words appear 1,040 times in the Bible and that these words are exceeded in the frequency of their occurrence only by the word "love." It seems to me that in the Bible—particularly in the New Testament and especially in the Epistle of St. Paul—businessmen can find a code of ethics, a guiding philosophy, a set of principles on which they can base their long- and short-range operations.

muscles in lush times. We develop strength only through the use of muscles, the making of hard choices and decisions, and growing and maturing and developing ourselves. There are many forces at work in our present society that militate against our maturing. H. A. Overstreet, in his book "The Mature Mind," points out many of these factors which tend to make us immature, soft, and conforming.

I apologize to you for expressing these personal views, but I hope you will take them as they are meant. Certainly, I am in no position to moralize because I speak from a very shaky personal platform.

Responsibility to Self and Others

As one person's opinion, based on some observation and a little research, the whole thing focuses down to the individual's recognizing his own strengths, his own needs, his own religion, the principles by which he wants to live, and then recognizing his responsibility for himself, his responsibility to others, and working hard to discharge both responsibilities adequately.

The following two quotations seem to me to set forth these two responsibilities—man's responsibility for himself and his responsibility to others—in a way far better than I could express them.

The first, having to do with man's responsibility for himself, is from the "Fires of Spring," by James Michener. It is this:

For this is the journey that men make: to find themselves. If they fail in this, it doesn't matter much what else they find. Money, position, fame, many loves, revenge are all of little consequence, and when the tickets are collected at the end of the ride they are tossed into a bin marked failure. But if a man happens to find himself—if he knows what he can be depended upon to do, the limits of his courage, the position from which he will no longer retreat, the degree to which he can surrender his inner life to some woman, the secret reservoirs of his determination, the extent of his dedication, the depth of his feeling for beauty, his honest and unpostured goals—then he has found a mansion which he can inhabit with dignity all the days of his life.

This much for the individual's integrating himself—seeking integrity and self-responsibility.

Now the quote from an unknown philosopher dealing with man's responsibility to others. It is this:

Man's greatest responsibility, one he thinks of least, is his personal influence.

Man's conscious influence, posing to impress the world, is woefully small compared to his unconscious influence, the silent radiation of his character—the sum total of his ideals, desires, wishes, aspirations, strived for, hoped for, and accomplished.

Every moment of his life he is changing the whole world to a degree—his every act, emotion, words and deeds, trifles unnoticed may all become links in the chain of some great purpose.

Man has two creators: God and himself. Man is truly great, not for what he is, but for what he may become. He is placed in this world not as a finality, but as a possibility. He cannot for even a moment escape from the Silent Radiation of his character, but he can cultivate: humility, charity, calmness, generosity, justice.

[End]

The Southeastern Corner

By
Warren A. Walker*

A Rebel Looks at the Recession

Need for Diversification

In several previous articles of this series we have discussed the advantages to be gained from increased industrialization as a feature of the southeastern economy. This month we shall examine some of the aspects of industrialization from a somewhat different point of view.

It is a cardinal principle of any conservative investment portfolio that there should be an intelligent degree of diversification. Much the same thing can be said of the economic activities of any particular region. While it is true that specialization does produce certain economies of size, it is, nonetheless, unwise for a region to put all of its economic eggs in one basket. The Southeast had ample opportunity to learn this lesson well during the turbulent reign of "King Cotton."

What Is A Recession?

What are the characteristics of the present recession that reaffirm the principles outlined above? First of all, what is the difference between a recession and a depression? As a sort of rule of thumb we may say that a recession is a decline in activity in certain segments of the economy, whereas a depression is a decline in activity in all, or virtually all, segments of the economy.

It is true that in the present recession many types of business have experienced a pressure on their profit margins, but it is a statistically demonstrable fact that three industries have taken the brunt of the present decline. These three industries are the so-called primary metals (steel in particular), fabricated metals (the automobile industry and appliances in particular), and machinery.

The question may well be asked that if only three industries are primarily affected why is there so much talk of the recession. There are two main reasons why this situation has been given so much publicity. One reason is that, although there are only three industries, these industries represent almost a third of the production workers of the country's labor force. The second reason is that this is the most highly unionized segment of the economy and, as such, has highly compensated spokesmen to point out the distress of their situation.

It should be obvious at this point why the southeastern United States has been affected less by this decline in business activity than have other por-



tions of the country, and the north-central portion in particular. It is true that the Southeast has some steel mills, some automobile assembly plants, some plants for the production of machinery, but it does not have the concentration relative to population as do some other portions of the country. As a more specific example: while workers in these industries represent nearly a third of the total production workers of the country's labor force, they represent no more than half this percentage in the Southeast—perhaps fifteen per cent at the outside.

Overproduction or Underconsumption?

With these figures in mind we may now generalize a bit and say that this is a heavy industry recession. What causes a heavy industry recession? There are two points of view on this question which are familiar to all students of economics: Is it **overproduction** or **underconsumption**? Labor groups of course take the view that it is underconsumption and that the government should take steps to ease monetary controls and "pump-prime" where necessary. The writer takes the view that neither of these explanations is technically correct. It is neither overproduction nor underconsumption, but **overcapacity to produce**, usually referred to in economics texts as "excess capacity."

At this point another question may very well be asked. These heavy industries in question have cost accountants and economists on their staff; how does a situation such as this develop? The answers are really very simple when the situation is analyzed closely. Excess capacity in individual companies occurs at rather regular intervals, and it is virtually inevitable that it should. The reason for this is that you cannot expand a steel plant or an automobile plant a little bit. Each increment in production (aside from internal efficiencies) is necessarily a rather large one. At the individual company level there is almost always a situation of under-capacity or over-capacity. This in turn produces a pressure on prices, depending on what the case may be.

*Mr. Walker is a graduate in Economics from Georgia State College of Business Administration, in Science from the U. S. Merchant Marine Academy, and in Law from Woodrow Wilson College of Law. He has done field and staff work for manufacturers, wholesalers, retailers, banks, and savings and loan associations throughout the Southeast. He is currently a director of the Atlanta Foreign Trade Association.

Taking an industry as a whole these pressures have a tendency to cancel out to a degree, because the individual company situations are at different levels. Hence, at the consumer level these situations tend to go unnoticed because of the statistical leveling effect. What has happened at the present time is just an unfortunate accident, namely, that the majority of the individual companies in the various industries have reached a position of over-capacity at the same time. It was an absolute certainty that this situation would eventually happen. Under the present governmental policies if the individual producers make an agreement it is considered a conspiracy, and if they do not it is a statistical certainty that this type of situation must eventually develop.

Ability But Unwillingness to Buy

Having examined the excess capacity theory, can we now say that the underconsumption theory has no validity at all? The writer thinks not. On the other hand, a close examination will reveal that this is not underconsumption in quite the usual sense of the word. Ordinarily underconsumption carries the connotation of a potential consumer without the capacity to buy. This condition is not a typical situation at the present time. Recent surveys indicate that a more typical situation at the present time is a potential consumer who is able to buy but is unwilling to do so.

There is no one reason for this unwillingness of consumers to buy, so we shall examine several of the more important reasons. One of the more important reasons for this situation is the old standby of economic theory—"marginal utility." There is no need to dwell on the theoretical meaning of marginal utility when practical examples are so close at hand.

Let us consider for a moment the home appliance industry. In the modern home a refrigerator, a range, a clothes washer, a dryer all have enormous utility value to the typical consumer. But, and this is the catch, he needs only one of each appliance. The first unit of each of these appliances has such great utility that the average consumer will go into debt to acquire one, but the second unit of each of these appliances has so little utility that he would hardly accept it as a gift.

After World War II there was a very large backlog of demand for fabricated metal products. Virtually everything that goes into the production of these products had been on a military priority basis for more than four years. Anything that could be produced could be sold, and at a profit—for there was a backlog of purchasing power as well as demand. Neither the engineering nor the workmanship of the products was questioned—the only question was, is it available now?

The Korean action occurred before this demand was fully satisfied. Keep in mind that the Korean police action was a major war by any ordinary

standards. This delayed a market saturation that normally would have occurred several years ago.

The typical consumer today has one of each appliance he really needs—he has a car, in some instances he has two. Each of these items will need to be replaced eventually, but today's consumer has no sense of urgency. He has time to shop around and compare prices and more particularly workmanship. He has time to consider whether the product now being offered is technically superior to the one he owns or whether it merely had its face lifted.

The transition is not yet complete, but there is a new type of consumer coming on the American scene: a consumer who knows both what he wants and what he can afford; a consumer who knows that if his gross family income is \$4,200 a year (approximately the national average), he cannot properly afford a \$3,000 automobile (the price of a typical low priced car.)

The Recession and The Southeast

We have already made the observation that in a recession certain types of business carry the main impact of the decline in dollar volume. It follows, therefore, that other industries may have experienced only nominal declines, or may in fact even have expansion programs under way. This phenomenon can be observed at the present time, and in the Southeast to an even greater degree than in other portions of the country.

As an example of a business that has experienced only a nominal decline, we have the textile industry. This industry has been mildly depressed for several years due largely to two factors: one, in some instances insufficient portions of the profits have been retained for plant modernization; two, in recent years government policies of parity on crops and quota imports have made the costs of raw materials abnormally high.

Generally speaking, financial institutions in the Southeast are showing good earnings thus far this year, although there are a few exceptions due largely to localized conditions. Bank debits are down slightly, but the percentage hardly exceeds normal seasonal decline.

Crude oil production in the Gulf areas has had a slight increase. Building contract awards are up somewhat after several months of weakness. Both production and earnings of a majority of the southeastern utility companies are up sharply.

Department store sales have declined, but this is due partially to the fact that many department stores went heavily into the appliance field following World War II. A spot check of specialized retail outlets indicates that both value and earnings are about the same as last year, or slightly improved. This of course refers to such business enterprises as filling stations, hardware stores, grocers, etc.

Yes, the Southeast has been touched by the recession—but with a very light hand.

[End]

Georgia State College
of Business Administration

33 Gilmer St., S. E.

Atlanta 3, Georgia

RETURN POSTAGE GUARANTEED

ISSUES IN LABOR-MANAGEMENT RELATIONS

(Continued from page 5)

nor union should permit, except in unusual circumstances, weak or frivolous cases to go to arbitration. This requires strength and frankness on the part of management and labor. It is easy to say that all this should be done, and yet I recognize that there are sometimes grave difficulties, for example, in unions where discipline is weak, and failure to take a poor case to arbitration may result in the loss of members. There are a number of other problems: parties who schedule hearings and more often than not call them off at the last moment; parties, whether companies or unions, who bring an arbitrator several hundred miles to hear a case that they have not prepared; cases in which the presentation is so informal that the arbitrator is convinced that neither side knows what the dispute is about; or, at the other extreme, cases which are so loaded with unnecessary legal technicalities that the substance of the issue is obscured.

★ ★ ★ ★ ★

*William M. Fox, Associate Professor of
Industrial Relations and Management,
University of Florida:*

One of the most urgent issues to me today is the drift toward "impersonal" collective bargaining; the tendency to substitute "strategy" and the "power play" by large associations and national unions for efforts by **local labor and local management** to work out solutions to their **local problems**.

There is tangible evidence that such a trend exists. In the national emergency disputes of the last ten years the parties have often seemed more attracted by the prospects for government handouts than by the idea of responsibly facing up to the basic issues involved.

Though this may be debated, there was evidence in the Southern Bell Telephone strike that the union wished to do more than merely gain legitimate demands; that a test of union tactical strength in the South was involved.

This idea of bargaining over more than the **local issues of local parties** in a given concern seems especially prevalent in the automobile industry. Take for example the situation at Studebaker a number of years ago when the company found itself paying higher than Detroit rates with significantly lower productivity, and the situation today with

Reuther making demands of the **industry** rather than **local union leaders** making demands of **their companies**.

And this trend toward "aggregate bargaining" is not confined to unions. Many employers as a matter of self-defense and many as a matter of conviction are letting "the association" handle their bargaining for them. In addition, the use of professional negotiators is widespread on both sides.

The above trend in bargaining is a serious development to me for several reasons. For one thing, it jeopardizes the maintenance of a balance of power between the union and the individual employer by confronting him with the strongly backed demands of a national organization. Such a balance of power, I feel, is an important prerequisite for honest, mature bargaining. Granted, there was a time when an independent union could easily be devoured by an unscrupulous employer, but this is in the past for employees covered by Taft-Hartley.

Years of accumulated experience have demonstrated the superiority of mediation and the permissive approach over legalistic, arbitration procedure for developing truly harmonious labor-management relations. The most productive approach has been one that encourages the parties **themselves** to work out solutions appropriate to **their problems**. This is hardly possible when "professionals" on both sides bargain shrewdly and impersonally for the goals of their respective associations and national organizations. Often, as at Studebaker, this leads only to economic suicide for both sides.

In addition, it leads to public disgust which eventually may lead to demands for compulsory arbitration of wages — an unwelcome development in a free enterprise system. However, this will not materialize if **responsible** bargaining produces solutions which are beneficial to all parties concerned. Yet, can the public reasonably expect such responsibility from giants vying mightily for power?

Fortunately, we have evidence that a more mature and productive form of collective bargaining is achievable. Companies such as Nunn-Bush, Lapointe Machine Tool, and some 500 others which have adopted the Scanlon Plan have scored a major "breakthrough" in labor-management relations.

[End]